

Background analysis and possible new targets and actions

A discussion paper to stimulate input in updating the City of Ottawa 10 Year Plan on Housing and Homelessness

Prepared by Steve Pomeroy,

Focus Consulting Inc. and Senior Research Fellow Carleton University Centre for Urban Research and Education (CURE).

July 2019

Acknowledgment: This paper was commissioned by Councillor Catherine McKenney, as Council Liason on Housing, with financial support from the office of Councillors Menard, Fleury, King and Leiper

Table of contents

Executive Summary	i
1. Introduction.....	1
2. Updating the context.....	2
Potential new funding	2
Anticipated funding levels under NHS programs.....	4
Provincial Funding.....	4
NHS Goals:.....	5
2.1. Updating core housing need.....	6
2.2. Core need corroborated by wait list.....	8
2.3. Insufficient income is a big part of the problem.....	8
2.4. Constrained stock of lower rent options	10
Ongoing erosion of lower rent units	11
Impacts of short-term rental (Airbnb).....	11
New rental Construction is low.....	11
2.5. Trends in homelessness and shelter use.....	13
2.6. Summary of key issues and challenges to consider in update	14
3. Responding to these challenges	16
3.1. Identifying new targets	16
3.2. Consolidating proposed targets.....	19
4. Supporting actions	19
Target 1: Reducing The Social Housing Wait list by 50% to 5,000 households.....	19
Target 2: Eliminate chronic homelessness for both singles and families	20
Target 3: Reduce the growth of homelessness via prevention and diversion	23
Target 4: Slow or offset the process of erosion of affordable rental stock.....	23
Target 5: Increase rental supply (to 20% new starts).....	25
Target 6: Strengthen the capacity of the community sector	27
5. Conclusions.....	27

Executive Summary

This brief has been prepared to provide input and suggestions to the City of Ottawa as it undertakes an update of the Ten Year Housing and Homeless Plan.

It first reviews the current context including identifying potential new funding opportunities under the National Housing Strategy (NHS) and an update on the extent and nature of both housing need and homelessness.

It is anticipated that the quantum of funding will increase from the federal level, with cost matching from the province. The most notable opportunity will likely come via the replacement of scheduled expiring federal transfers under the Social Housing Agreement and this will provide gradually increasing amounts starting with \$4.8 million in 2019-20, (and over \$10 million annually by 2022) to sustain RGI assistance and assist in rehabilitation of existing social housing. While there will be increasing funding for housing, initial announcements from the province may result in some constrained funding in the area of health and social assistance, which are critical to supports delivered alongside housing to enable housing stability for vulnerable populations, including those seeking to transition out of homelessness.

Against the backdrop of increasing funding is a persisting upward trend in core housing need and a stubborn level of chronic homelessness:

- Renter households in core need have increased substantially from 27,200 to 35,600 in 2016, a 30% increase over those five years. The incidence of core need is much higher for renters. Almost one in every three (29%) renters is in core need; this is up from one-in-four (25% in 2011).
- And, by far the most pervasive issue is housing affordability, with almost 32,000 core need renter households facing an affordability challenge. For almost half of these (16,300) face a severe shelter cost burden, and pay more than 50% of income for rent.
- Over the first four years of the Plan, there was no significant reduction in shelter utilization by singles; overall utilization increased, mainly in family shelters, due to an influx of newcomer families. And despite implementation of a Housing First program in 2015 and placement of over 700 individuals, since that date, the number of chronic homeless singles declined by only 23 individuals between 2015-18.

Drawing on the updated context and the priorities established for the NHS, it is proposed that the Ottawa ten-year plan adopt revised and more ambitious targets than those articulated in the initial plan.

Proposed new targets

1. Reduce unmet housing need by assisting a minimum of 1,000 households annually (equivalent to a 50% reduction in the 2018 waiting list)
2. Fully eliminate chronic homelessness for both singles and families (100% reduction)
3. Avoid any further growth in homelessness (via prevention and diversion)
4. Slow or offset the process of erosion of affordable rental stock

5. Increase the volume of new rental construction to represent at least 20% of all new housing starts.
6. Strengthen the capacity of the community sector

Establishing new more ambitious targets creates a vision and commitment to better outcomes. But setting targets is only a first step. Each must be supported by a set of concrete actions to ensure progress toward achieving each target by 2024. The following actions are identified and explained in the brief.

Target 1: Reducing The Social Housing Wait list by 50% to 5,000 households

Action 1.1: Expand rental assistance.

Action 1.2: Enhance client income.

Action 1.3 Add affordable supply

Action 1.4 Facilitate intensification and redevelopment of under utilized existing social housing sites

Target 2: Eliminate chronic homelessness for both singles and families

Action 2.1: Implement rapid housing response for families

Action 2.2: Explore adapting Refuge613 to help address growth of chronic homelessness among newcomer families (and potentially all homeless families).

Action 2.3: Extend Housing First responses for singles

Action 2.4: Add to stock of supportive housing

Action 2.5 Convert existing emergency shelter space to permanent supportive housing

Action 2.6 Initiate a process of homeless serving coordinated planning

Target 3: Reduce the growth of homelessness via prevention and diversion

Action 3.1 Review and adopt prevention and diversion programming

Target 4: Slow or offset the process of erosion of affordable rental stock

Action 4.1 Develop a rental replacement policy

Action 4.2 Create an acquisition assistance fund to facilitate non-profit acquisition of existing assets.

Action 4.3 Create a land trust for public lands

Target 5: Increase rental supply (to 20% new starts)

Action 5.1: Incent new rental.

Action 5.2 Condominium purchase as rentals.

Action 5.3: Implement Inclusionary zoning.

Action 5.4 Capitalize on land value uplift at LRT stations.

Target 6: Strengthen the capacity of the community sector

Action: 6.1 Undertake a strategic assessment of existing assets

A basis for discussion

These are simply proposed targets and proposed actions. As the City and sector work through a consultation process, these can be reviewed, validated refined and expanded.

1. Introduction

As required under the Housing Services Act (2011), in 2013 the City of Ottawa developed a Ten Year Plan on Housing and Homelessness. The HSA requires that the City undertake a review and update of this plan. This brief was commissioned by a caucus of City Council to assist in this review and update.

The Plan, adopted in Oct 2013 was framed under a high level *goal of eliminating chronic homelessness and building a city where everyone has a safe and affordable home in a neighbourhood where they choose to live.*¹ The Plan identified three priorities:

- Ensuring everyone has a home;
- Ensuring people get the support they need; and
- Working together

Under each of these priorities, the plan enumerated some targets – although in many cases these “targets” were simply statements of intent, rather than quantifiable targets.

- Under priority 1 (Every one has a home), a target of adding 130 affordable units was established for 2013-15, with an unspecified target for 2015-19 left to be determined.
- Under Priority 2 (Ensuring people get the support they need) a target was set to reduce emergency shelter funding by 40% and redeploy these “savings” into prevention; a further target was established to house 100 long-term [chronic] shelter users into permanent supportive housing by 2015; and to reduce the length of stays in emergency shelters to no more than 30 days by 2024.
- Under priority 3 (Working together) the Plan sought to implement coordinated system planning and system integration to strengthen outcomes and set targets to create a communication plan, advocacy plan and establish an interdepartmental committee.

The Plan priorities did not seek to be more ambitious or to reflect the overarching goal of ending chronic homelessness or ensuring homes for all. Arguably, the articulated targets tended toward cautious realism – reflecting the limited resources available to the City, mainly via federal-provincial funding conduits and some existing non discretionary legacy funding (e.g. statutory requirement to fund ongoing social housing operating subsidy downloaded by the province in 1999, and the 2013 Community Homelessness Prevention Initiative – CHPI).

But even with these quite modest targets and actions, progress to date has been very limited – after five years there is no progress toward coordinated system planning; annual expenditure on emergency shelters has increased (up by \$2 million), rather than being reduced by 40%; and there has been no substantive shift from emergency to preventive practice. And while the two *Housing First programs (City and MOHLTC- delivered by CMHA)* have placed over 500 individuals into housing this has not translated into an equivalent reduction in chronic

¹ City Infographic summarizing Ten Year Plan.

homelessness (long term shelter stays) – by March 2018 the number of individual men and women counted as chronic declined by only 23 individuals.²

It may be appropriate to establish more ambitious targets as part of the update, and to pro-actively pursue the resources necessary to pursue any new targets.

But setting more ambitious targets will not achieve better outcomes without a more pro-active and purposeful approach, and specific actions ideally premised on comprehensive system coordination and planning and a new more focused partnership between the City and the community support and delivery agencies that are the backbone of the system.

2. Updating the context

Since the Ten year Plan was initially adopted, in late 2013, the context has continued to evolve: housing need as measured by CMHC core housing need data as well as homelessness reported in city administrative data has increased; rental construction has edged upward, but remains low relative to the number of renters; and ongoing market dynamics have altered availability, especially in lower rent range.

On a more positive note, the resources available to respond to this persisting need are increasing, primarily due to an infusion of new funding under the National Housing Strategy. This creates new federal funding initiatives as well as leveraging provincial funding under a number of cost matching initiatives. We look first at new funding resources that may become available. Subsequently housing need is updated.

Potential new funding

The various funds should provide funding to Ottawa, above the levels available in the first five years of the Plan. The province has executed a bilateral agreement with CMHC committing to cost match certain elements of the NHS, and in turn has released an allocation to the City for the three years 2019-2022, under a provincial framework labeled the Community Housing Renewal Strategy (CHRS). The potential can be seen in a brief overview of these new funding initiatives based on first on the total national investment level (over full 10 years) and subsequently on the provincial allocation to Ottawa under the CHRS (next three years only).

The National Housing Co-investment Fund (NHCF) is a federal only fund (\$13.2B) providing a mix of low rate loans (\$8.5B) and capital grant (\$4.7B) to support new development, acquisition and renovation to expand the stock of units at affordable rents. This fund is on an application basis – there is no allocation to the City, thus it depends on providers being pro-active and pursuing. Larger providers, like OCH and CCOC have the resources and expertise to pursue such opportunities; however others may not. The city could assist small less professional providers with technical support. *Application with partner funding are also scored high, so using City resources (land, waiving fees) as a partner contribution could effectively lever financing and funding from this federal source to maximize potential new construction.*

² City of Ottawa 2018 Progress report data – excludes families and individuals in family units.

The Canada-Ontario Community Housing Initiative (COCHI) is a new funding source that effectively replaces expiring federal subsidies resulting from maturing of long term operating agreements. In Ottawa the transferred federal subsidies will decline by \$1.3M in 2018, and by increasing amounts thereafter. This new fund offsets that decline, effectively providing additional funding to Ottawa. The federal budget assigned \$4.3B, plus an additional \$500M specifically to federal coops. These funds can be used to extend needed RGI subsidy as well as fund capital renewal and redevelopment. Because the subsidy terminates at same time that the mortgage matures, and for projects constructed prior to 1986 (expiring now through 2020) the annual mortgage payment is larger than the annual subsidy, so there is no negative RGI effect – *the total replacement funding should be available for capital renewal and intensification. This funding however flows via the province is subject to guidelines established by the MMAH. The initial three-year allocations (2019-22) are \$4.8M, \$7.3M and \$10.2M (with this amount expected to continue rising in subsequent years).*

The Ontario Priorities Housing Initiative (OPHI) is the rebranded IAH program, under which the province cost matches this amount and makes an allocation to Ottawa – this is the source for the Action Ottawa program. With federal funding at \$1.1B over 10 years (cost matched by provinces), it is likely that the annual allocation under this rebranded IAH will decline (\$123m/yr.) relative to recent annual funding level (\$253M), but this will be offset by other NHS funds (mainly CHB). The initial allocation to Ottawa is 7.6m, \$3.9M and 6.1M for each of the current and next 2 years respectively. Again, *priorities may be set by MMAH but in recent years funds could be used to fund capital for new development, renovation as well as rent allowances and assisted ownership programs*

Canada Housing Benefit (CHB, and in Ontario COHB) is a new approach to provide housing allowances to households experiencing high shelter cost burdens. To the extent that 90% of households in core need experience primarily an affordability problem, it is an important augmentation or the more traditional supply focused funding programs. This is funded at \$2.0B to be cost matched by the provinces and territories with negotiations on the design to be completed in 2019 for implementation in 2020. It is likely that in Ontario, this will be modeled on the portable housing benefit implemented in 2016 as a pilot, targeting victims of domestic violence, a program already authorized under amendments to the HSA (via Ontario Reg 340/17). *This will not be available in the current year, but could become an important funding vehicle commencing in 2020 to support in situ affordability as well as housing allowances related to homeless prevention, rapid rehousing and housing first.*

Federal Land Program is an enhancement to the federal surplus land fund to facilitate purchase of surplus federal lands. This is budgeted at \$202M over the 10 years of the NHS. *Given the amount of federal lands in Ottawa, the City should pursue an aggressive strategy to utilize this funding source to secure land for affordable development.*

Reaching Home (rebranded HPS) is the new extension directed to homelessness. Funded at \$2.2B over 10 years (almost double the current HPS funding level) it places a strong emphasis of coordinated system planning and delivery to support the NHS goal of reducing chronic homelessness. Relative to provincial programs directed to shelter and supports, this will provide a relatively small amount annually, but can be *an effective source of funding to pro-actively*

pursue coordinated system planning to focus and strengthen responses in Ottawa and emulate the NHS goal to eliminate chronic homelessness.

Existing housing and homeless funds under Reaching Home (renewed HPS) provided \$1.4 million annually to Ottawa. The proposed funding under Reaching Home suggests that the annual national allocation will be in the order of double this amount (i.e. \$2.5 to \$3M/year).

Rental Construction Financing Initiative (RCFI) is a loan fund providing low rate financing (no subsidy) on very favourable terms to developers building rental housing. It is not targeted to affordable housing, although does include a requirement to include 20% of units at prescribed affordable rents. Originally funded at \$2.5B over 5 years, the RCFI was increased by \$1.25B to \$3.75B in the 2018 federal budget, and is expected to produce roughly 2,500 rental units annually across Canada. *This can be a valuable source to encourage more general rental supply, but also for non-profit providers to undertake mixed affordable-market development as a way to strengthen and diversify their revenues* (which are currently low due to RGI rents) and help build reserves to complete retrofit of aging assets.

Additional small initiatives – the NHS also funds a series of more targeted initiatives including indigenous need, housing in the north and expanding research capacity

Anticipated funding levels under NHS programs

As noted above, some the federal programs (NHCF, FCHI, RCFI, Federal lands) are not allocated geographically, but instead respond to requests. To access these funding sources, the City needs to support and enable providers to pursue applications. The City can enhance likelihood of success by contributing city resources, especially land and fee waivers. A proactive supportive strategy is required to maximize access to success under these programs.

Ontario has executed a bilateral agreement with the Federal government, and this identifies province wide funding level for the COCHI and the OPHI, with funding levels noted above. The bilateral also covers the proposed Housing Benefit, but no funding amount is yet identified, pending negotiations on design. Nationally, his identifies a total of \$2.1B in federal funds cost matched to a total of \$4.2B over 10 years.³ The bilateral agreement requires that the province prepare an action plan with specific targets and outcomes under these cost shared programs. The Ministry has not yet released guidelines or any notional allocation, but these are expected this spring, following the provincial budget.

Provincial Funding

In addition to cost matched NHS funding streams, the province of Ontario continues to allocate funds under two unilateral homeless related streams: Home for Good (HFG) and the Community Homeless Prevention Initiative (CHPI).

³ The bilateral agreement uses language to define cost matching to include any sub-provincial contributions, e.g. municipal or 3rd party. Given the provincial deficit, it is likely that similar to 2002-2005 the province will rely largely on these municipal and other contributions, and will not directly cost match the federal contributions.

FUNDING ALLOCATIONS: City of Ottawa	2019-20	2020-21	2021-22
New Programs (NHS)			
Ontario Priorities Housing Initiative (OPHI)	\$7.6M	\$3.9M	\$6.1M
Canada-Ontario Community Housing Initiative (COCHI)	\$4.8M	\$7.3M	\$10.2M
Canada-Ontario Housing Benefit (COHB)	N/A	TBD	TBD
EXISTING PROGRAM			
Community Homelessness Prevention Initiative (CHPI)	\$37.6M	\$38.6M	\$38.6M
Home for Good – Operating (HFG)	\$4.7M	\$4.7M	\$4.7M

OPHI –supports new affordable housing development, housing subsidies and the Ontario Renovates program

COCHI - Reinstates and backstops the loss of federal funding for social housing programs

COHB - proposed new portable housing allowance

So, compared to the initial five years of the plan, there is reason to be optimistic about an increasing level of funding (at least from the federal level and more limited support from the province).

This enables more ambitious targets over the second half of the plan. And given the varying form of the funding sources, these targets should embrace a variety of approaches: including new construction, rehabilitation and intensification of existing social housing properties, and expansion of rent supplements and housing allowances.

Existing housing and homeless funds under Reaching Home (renewed HPS) provided \$1.4 million annually to Ottawa. The proposed funding under Reaching Home suggests that the annual national allocation will be in the order of double this amount (i.e. \$2.5 to \$3M/year).

As a caveat on the above funding discussion, it should also be noted that many providers and support agencies in the homeless serving part of the system rely on funding through the Ministry of Community and Social Services, the Ministry of Health and Long Term Care and the Local Integrated Health Network (LIHN). The provincial government has signaled a number of policy reforms, which may include funding constraints for agencies and programs in this area. The updated plan should to the extent possible seek to anticipate and adjust for these realities, although specific funding implications remain to be determined.⁴

NHS Goals:

In addition to reviewing the new funding opportunities under the NHS, it is useful to highlight the two objectives that these funds seek to support, as potential targets for consideration in Ottawa. The NHS sets out two primary goals:

⁴ For description of =Health system policy changes see degree: <http://health.gov.on.ca/en/pro/programs/connectedcare/oh/default.aspx> and http://health.gov.on.ca/en/pro/programs/connectedcare/oh/docs/guidance_doc_en.pdf

1. Reduce the severity of housing need for 530,000 Canadian families from housing (at time strategy was released this quantified a 50% reduction in renter core need)
2. Reducing chronic homelessness by half over the next decade

These broad national goals suggest a possible quantum for the Ottawa Ten Year Plan to emulate or build on.

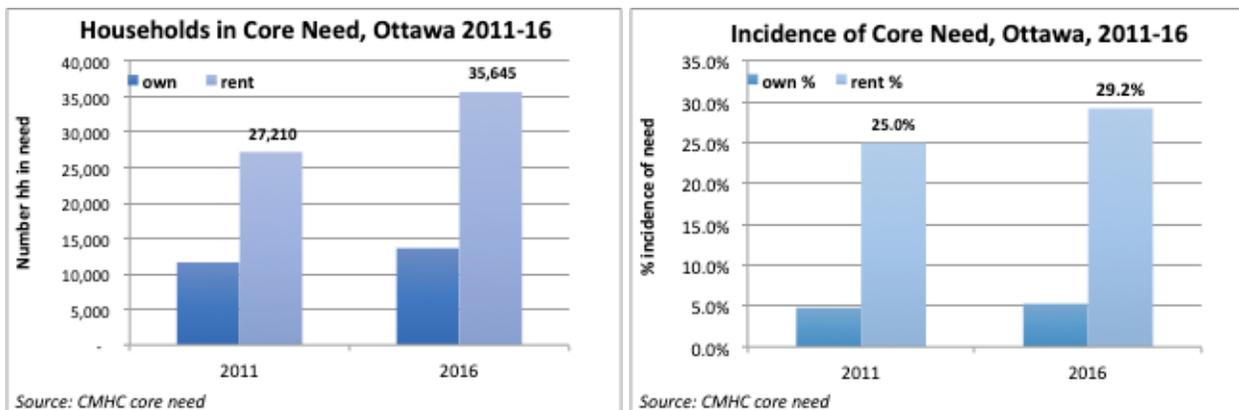
2.1. Updating core housing need

The release of data from the 2016 census provides more recent insight into the extent and nature of housing need. The CMHC core need methodology uses a two-step process to assess need.

First, does a household experience one of three problems: affordability (pay over 30% of income for shelter); condition (dwelling is in need of major repair); and suitability (dwelling has sufficient number of bedrooms, based on household composition – number of adults and age and gender of any children).

Second, does the household have sufficient income to resolve their problem without assistance? This income threshold is calculated using the median rents by bed size applied to household size, and establishes an income cutoff (e.g. if median two-bed rent is \$1,000, the income threshold is \$1,000 x 12 months divided by 30% = \$40,000). Households above the respective income thresholds (by hh size) are excluded from core need, even if they experience one of the three problems).

Since inception in the 1980's CMHC has published estimates of core housing need. These have consistently revealed that core need is a more significant problem, for renters than is the case for owners, both in absolute count and in the incidence rate of core need. Second, it has shown that the issues related to condition and suitability are quite a small fraction of total need; the predominant problem is affordability.



These truisms are very evident in Ottawa.

- In the recent census, renters have accounted for almost three quarters (72%) of core need; the incidence of need is six-times greater among renters (29%) than among owners (5%).
- Only 5% of owners and 11% of renters experience only suitability or adequacy problems;

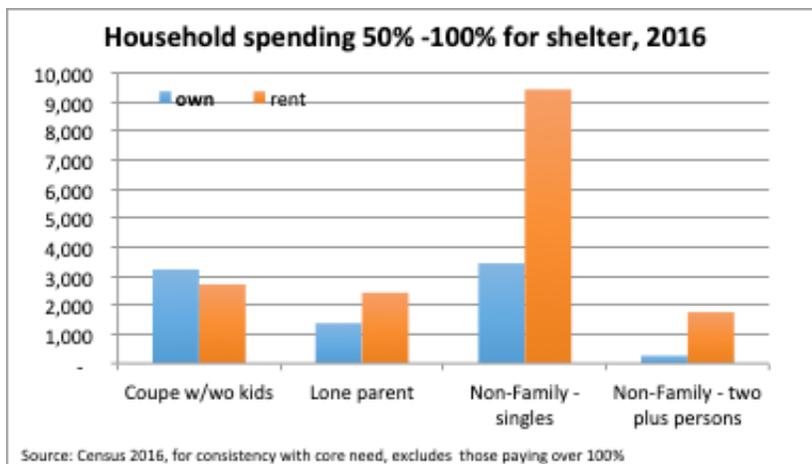
- The majority face affordability only or a combination of affordability with adequacy or suitability 94% of owners and 89% of renters.

So affordability is by far the most serious challenge for most, and this relates in part to the lack of low cost housing options as well as to lower incomes. And affordability issues are much more severe among renters mainly because renter incomes are much lower, on average less than half those of owners.

The total number of Ottawa households in core need in 2016 was just under 50,000, an increase from 39,000 in 2011. This includes both owners and renters. Renters in core housing need rose from 27,200 to 35,600 in 2016, a 30% increase over those five years.

The incidence of core need is much higher for renters. Almost one in every three (29%) renters are in core need; this is up from one-in-four (25% in 2011).

As noted, by far the most pervasive issue is housing affordability, with almost 32,000 core need renter households facing an affordability challenge. For almost half of these (16,300) face a severe shelter cost burden, and pay more than 50% of income for rent.



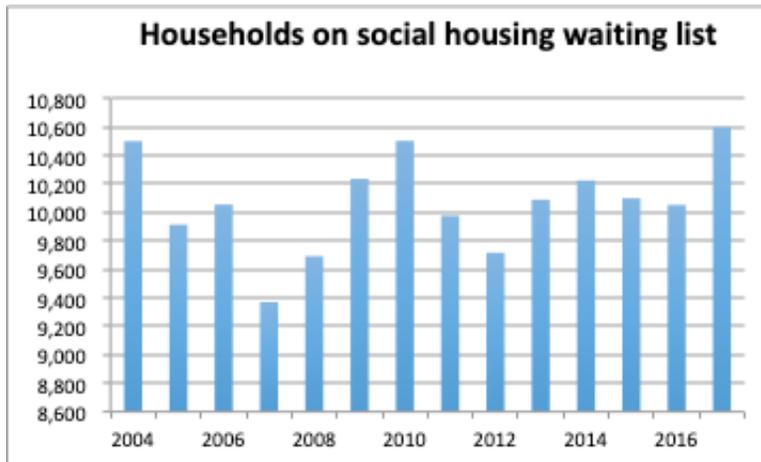
The high number paying over 50% should however be refined. In most cases it reflects a high number of households who depend on income assistance (OW/ODSP).

The structure of benefits under OW/ODSP combines two main elements, basic income assistance and a shelter component. The latter is tied to actual rent costs (so recipient receives an amount only up to actual costs). Although many face rents that exceed the maximum shelter component, others are able to find housing within the allowance. So this creates a statistical aberration, because in most cases, the shelter portion exceeds the basic income component, and accordingly their shelter to income ratio exceeds 50%. (e.g. for a single on OW, the basic need is \$343, shelter max is \$390, so the ratio is 53%; for a lone parent with one child the basic is \$494 and shelter max is \$642, so a ratio of 56%). This is not to say that these households are not in severe need, but it reflects an inadequately funded income assistance system, as much as a housing issue.

Notwithstanding this caveat, the chart shows that the largest number of households paying over 50% are single persons. This reflects both the minimal welfare subsidies for singles, as well as the insufficient number of housing units available for singles at low rents.

2.2. Core need corroborated by wait list

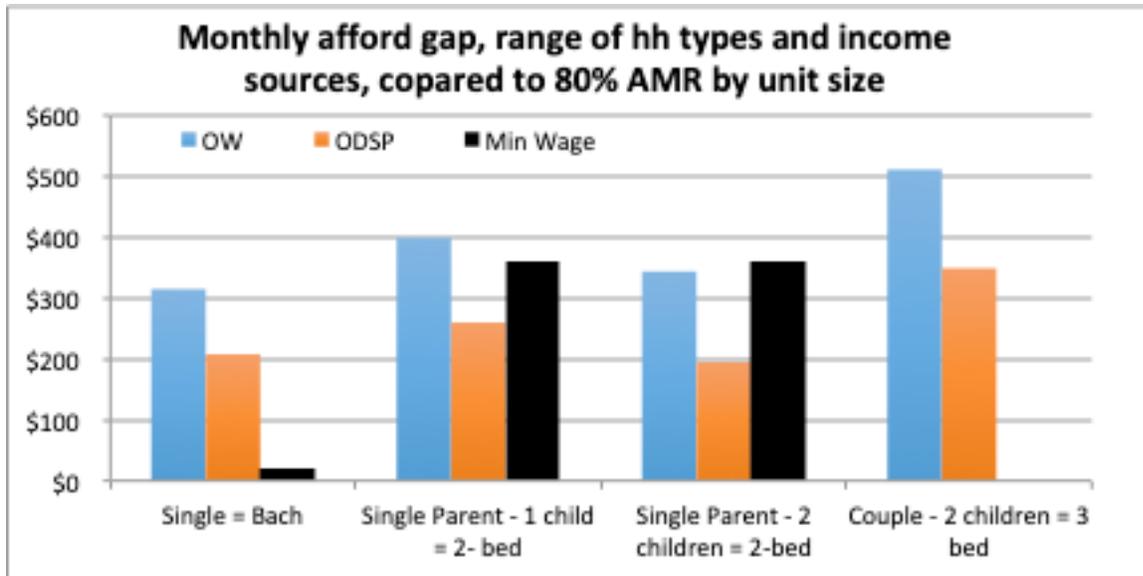
Another indicator of need is the waiting list for social housing. While this has fluctuated by roughly 500 above and below 10,000, since 2004, over the last five years, it has remained above the 10,000 household level, and jumped up to 10,500 in 2017 (2018 data not yet released – but staff have suggested the level is now significantly higher). The recent increase is in part a reflection of lower turnover rates in existing social housing, as discussed further below.



2.3. Insufficient income is a big part of the problem

Before examining how an insufficient stock and supply or low rent units impacts need, it is useful to focus specifically on the issue of affordability, which to restate is THE key issue, and can be addressed effectively via income assistance, rent supplements and housing allowances.

The following chart compares the affordability gaps between the maximum shelter rate under OW and ODSP and the minimum wage, against 80% of the average market rent. This assumes that income constrained households will seek out more moderately cost rentals so 80% is more realistic than using the full AMR. It also includes the rent they can afford at 30% of minimum wage (assumes work 35hrs/week with one earner for singles and lone parent, but two earners for couple).



For those on OW/ODSP benefits, the affordability gap ranges from roughly \$200-\$500 per month. It is larger for families with children that ideally need 2-bed or 3-bed units – although in reality many make do with smaller units and children sharing bedrooms.

This gap analysis also shows the challenge facing *Housing First* programs – most individuals seeking to exit homelessness are initially at least highly dependent on income assistance (OW/ODSP). As shown the level of benefit available to cover shelter costs is well below the cost of securing accommodation in the market shelter. Without supplemental rental assistance it is extremely difficult to secure suitable affordable housing. In addition, for those in the shelter, who are provided with room, board and programming at no cost, there is a strong disincentive to exit the shelter and have to allocate their OW/ODSP income to living costs.

With the increase in minimum wage, prospects for working poor households have improved, especially for singles (gap of only \$22/month), and for couples with two earners for whom a minimum wage income would enable them to afford a unit at 80% AMR with no assistance. For lone parents, however given the larger and higher rent unit required (which depends on number and gender of kids) some subsidy is still required, again in the order of \$300-350/month.

Given the large majority of households that experience affordability only problem (72% all rents in core need = 26,000 renter households in Ottawa) expanding rent supplements or housing allowances can be a very effective and efficient way to reduce need. They already live in suitable and adequate housing, but they simply can't afford it.

And for those that are potential employable (exclude long term disabilities and the elderly) supports that assist in improving labour market skills and helping individuals obtain work can further assist and in particular enable recipients to gradually phase out of rental assistance.⁵

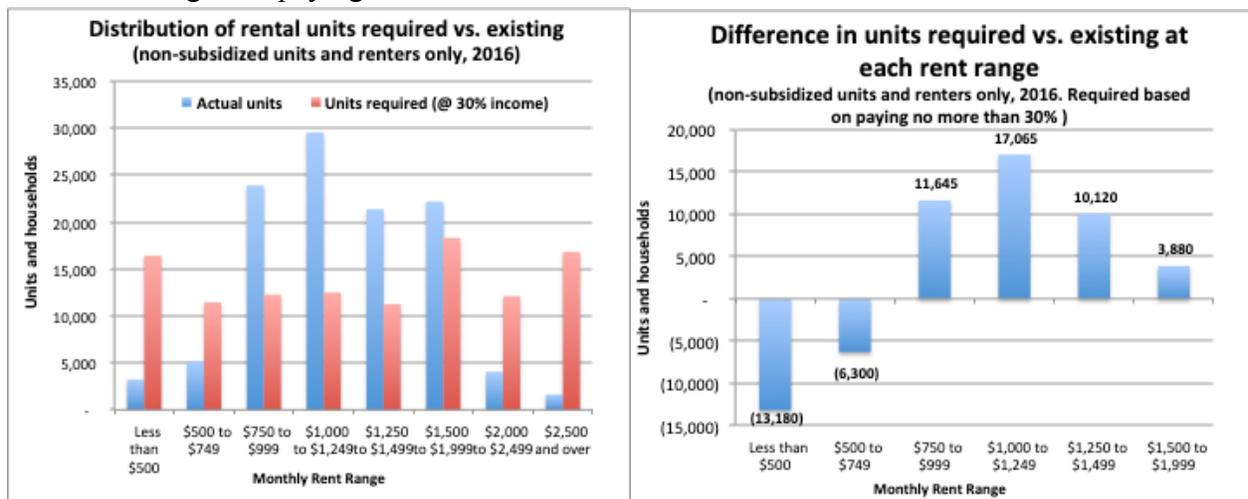
⁵ An excellent example is San Diego, when public housing tenants as well as rental assistance recipients are encouraged to participate in an achievement academy to transition into work and off of housing assistance. See <https://www.sdhc.org/achievement-academy/>

In short this is not solely a problem to be addressed via housing interventions it should be part of a more comprehensive poverty reduction and employment enabling strategy.

2.4. Constrained stock of lower rent options

While rental assistance can be an effective approach to addressing affordability issues, there is a separate issue of insufficient stock and supply of lower rent units. And over time this stock is reducing, or eroding.

Again using 2016 census data we can examine the distribution of households along the income range, and based on spending no more than 30% on rent determine the shortfall in low rent units. This excludes renters/units that identified as subsidized housing. The chart on left aligns the number of rental units in each rent range against the distribution that would be required based on the income range and paying no more than 30% of income for rent.



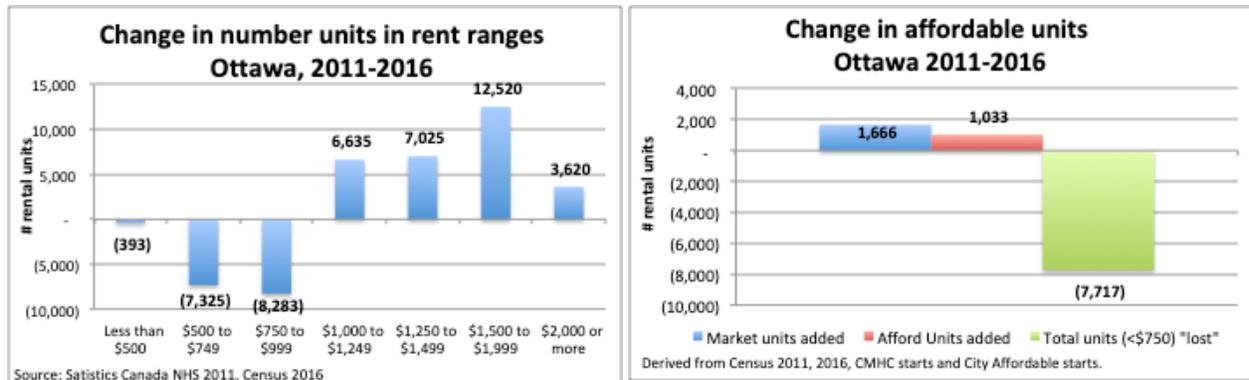
The right-hand chart shows the net difference between actual rental units that exist (and were occupied in 2016) and the number that theoretically were required, based on equivalent affordable income ranges. This reveals that there was a shortfall of just under 20,000 rental units with rents below \$750 (affordable to households with income below \$30,000).

It also shows a *theoretical surplus* of units above \$750. These are not unoccupied and available, they are units that house tenants with lower incomes and consequently pay over 30% for their rent.

This lack of low rent stock obviously contributes to housing need among lower income households that cannot readily afford to pay over \$750 per month. It does not, however, mean that it is necessary to build 20,000 new low rent units – as noted above, many of these issues can be addressed via rental assistance. But some additional supply is important to achieve a more balanced market.

Ongoing erosion of lower rent units

In addition to absolute shortfall in lower rent options, the number that do exist are steadily eroding.



Comparing the distribution of rental units between the 2011-16 census reveals a significant “loss” of “affordable units, defined here as renting below \$750/month. Some of these may be lost due to demolition and redevelopment but most of the change simply reflects inflating rents, such that the units are not actually lost, but have moved up into a higher rent band and are less affordable. To put this in context, in Ottawa in 2016, almost one-third of renter households (41,400) had incomes below 30,000 (so maximum affordable is \$750). 80% of these renters (33,170) paid over 30% for rent, because they have to accept units above the \$750 threshold.

The gradual increase in rents and movement up and out of affordable ranges is a natural market phenomenon, enabled in part by rent regulation (vacancy decontrol) and partly by acquisition and financialization as existing properties are purchased by real estate investment trusts (REITs) or large corporate investors, who seek to increase rents to enhance investment returns, or acquire to demolish and redevelop at higher density (e.g. Herongate).

As shown above, the changes and erosion in existing stock renting at under \$750, far outweigh the volume of either new affordable housing or new purpose built rental supply.

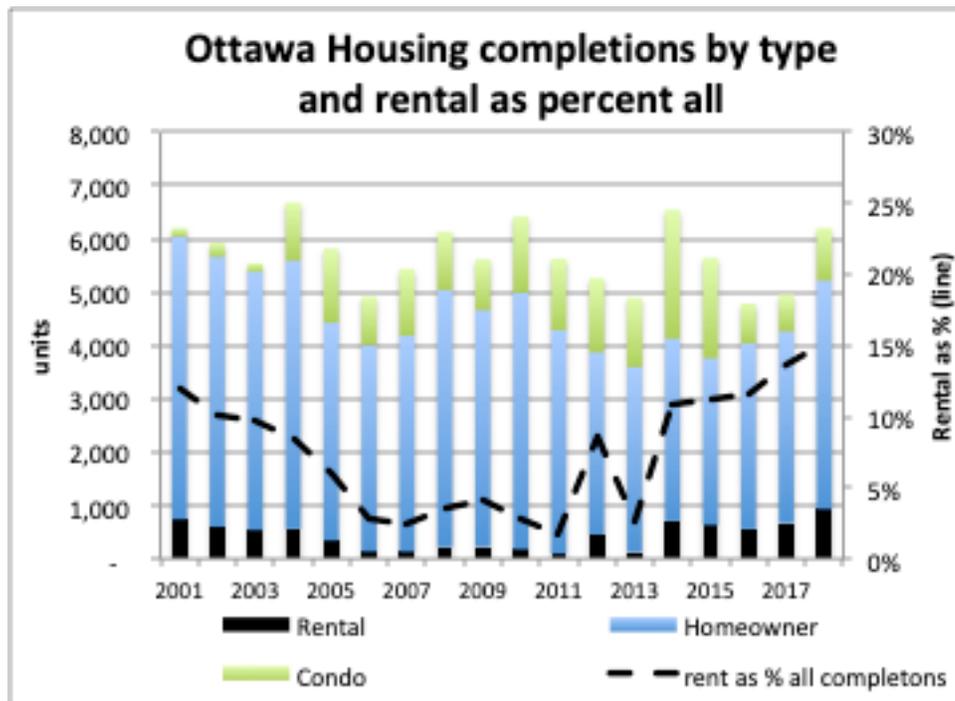
Impacts of short-term rental (Airbnb)

In addition to the demolition and rent increases, another phenomenon acting to remove rental housing is the expansion of web-based short-term vacation rental platforms, notably Airbnb. While definitive data is lacking on the quantify of accommodations that would otherwise be available for long term rentals, there is no doubt that this form of use is also contributing to reduced availability, and may also be reflected in the overall erosion statistic.

New rental Construction is low

Although the ownership rate increased from 1996-2006, roughly one-third of households rent. But as a share of all new housing construction, purpose built rental comprise a disproportionately small share of new starts. From 1996-2015 rentals were less than 8% of all new starts; this has

edged upward in the last three years, but remains less than 15%. The lack of rental supply impacts vacancy rates and lower vacancies have the effect of exacerbating affordability issues.



Through the two decades 1996-2016, the lack of rental construction was offset by easy access to ownership, and as owners exited the rental sector, they left vacancies. The context has dramatically changed. Since 2015, the combination of higher home prices and new mortgage regulations have constrained the ability of first time buyers to purchase, so they have remained as renters – adding pressure on an already tight rental market.

New rental units have been entering the market at relatively high rents, those built since 2015 rent on average at 170% of the overall market average (one and two beds since 2015 averaging \$1,670 and \$2,240 respectively), so well above affordable levels.

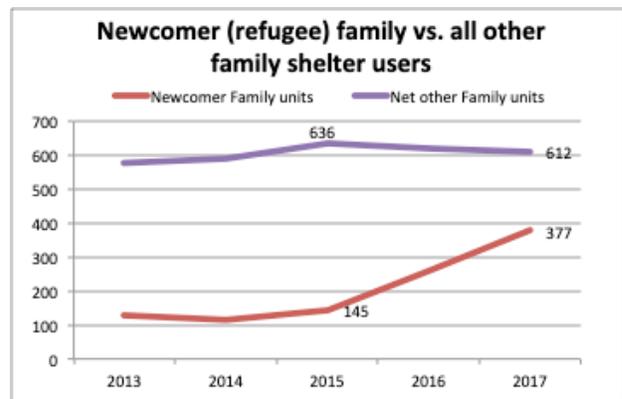
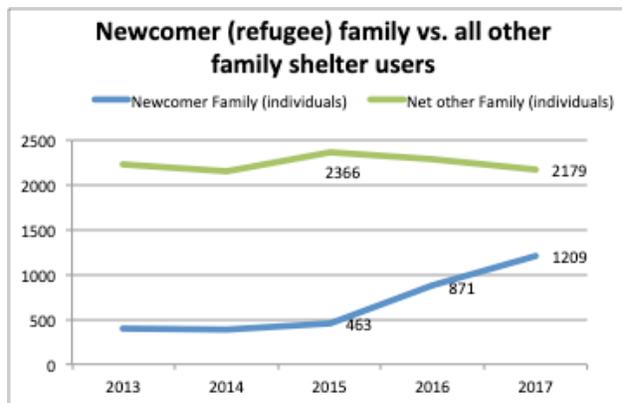
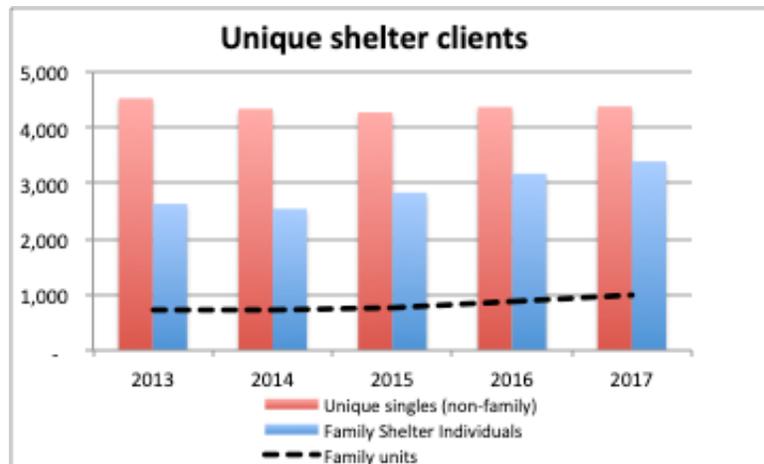
However, new supply, at any price, does have an impact on vacancy rates. With a purpose-built stock of just under 70,000 rental units, adding 700 units increasing vacancies by 1% (ignoring any new demand or net in-migration). So policies to encourage rental construction, at any rent, are important to moderating rent pressures and affordability issues.

One notable consequence of the lack of options and lack of availability in the lower rent stock is constrained movement out of a limited social housing stock. Both OCH and the registry report substantially lower turnover rates compared to prior years. Limited affordable market options make it difficult for existing social housing tenants that seek to transition out of social housing to find suitable affordable unsubsidized housing.

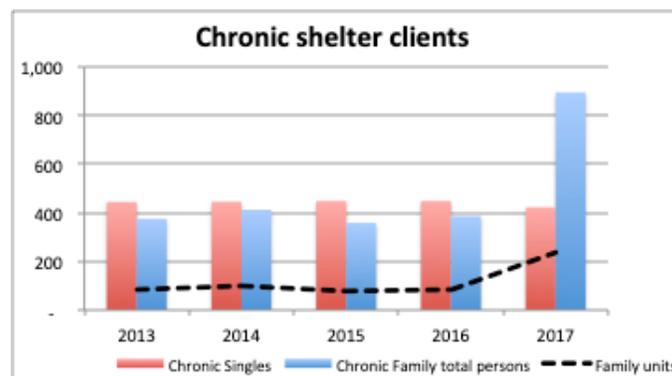
2.5. Trends in homelessness and shelter use

The preceding review has focused on the housing stock and housing supply, and related to the broader issue of affordable housing need. The corollary area of concern is the persisting level of homelessness, and how the ten-year plan can address this challenge.

Over the first four years of the Plan, there was no significant reduction in shelter utilization by singles; overall utilization increased, mainly in family shelters, due to an influx of newcomer families.



And despite implementation of a Housing First program in 2015 and placement of over 700 individuals, since that date, the number of chronic homeless singles declined by only 23 individuals. It might be surmised that Housing First has been used more as a diversion and prevention strategy, seemingly targeting high acuity clients, rather than targeting the chronically homeless, but data are not available to confirm this interpretation.



If indeed, this is how Housing First is being implemented, it will have only a marginal impact in reducing chronic homeless. It would be appropriate to investigate targeting and use of the Housing First program.

The dramatic increase in the number of chronically homeless families in the emergency shelter system is equally alarming. On the one hand, it suggests difficulty in finding suitably sized accommodation for these families. It is not clear whether the chronic homeless families are newcomers, but these likely account for a substantial portion of the total.

For families the more critical issues are lack of income and insufficient number of affordable family sized units (as distinct from the high prevalence of mental health and addictions among singles). Families remain in inappropriate motel/hotel accommodation, at significant per diem rates. This issue has been highlighted by councilors.

It has been suggested that if the use of motel emergency accommodation could be reduced if the funding permitted repurposing into a housing allowance for homeless families. Policy flexibility to explore this approach should be pursued with the province.

2.6. Summary of key issues and challenges to consider in update

Since implementation of the Plan, in 2014, housing need has continued to increase. This is reflected in both the number of households on the waiting list and an increase in the number of renters in core housing need, 2016 compared to 2011.

The vast majority of renters in core need face primarily an affordability problem (a relatively small proportion face only an adequacy-condition problem or suitability- crowded unit).

The number of individuals utilizing emergency shelters, and more particularly the number identified as chronic and episodic users have not declined in any significant way since 2014.

While over 500 individuals have been placed into housing through Housing First programs, through 2017, the number of chronic shelter users has declined only marginally (by 23 single men and women).

Shelter use by families has increased dramatically, and this is closely aligned with a well-documented increase in newcomer families (most accommodated in motels).

A historically low volume of purpose built rental construction, combined with recent policy changes that have constrained access to homeownership have placed pressure on the rental

market: reducing vacancies (down from 3.4% in 2015 to 1.6% in 2018), rising rents and exacerbating affordability.

An ongoing process of market pressure is eroding the limited stock of low rent units. Since 2011 for every new affordable unit added under Action Ottawa, seven existing private market units renting below an affordable rent of \$750 have disappeared (either demolished, or more often, moved up into higher rent band. And to some degree exacerbated by short-term rentals). This is increasing affordability issues and making it more difficult to find options for lower income households, and especially to facilitate Housing First.

Little progress has been made to date on the Plan priority to implement coordinated system planning and system integration in order to strengthen outcomes, with an associated goal of repurposing 40% of emergency shelter funding into prevention.

3. Responding to these challenges

The update of the Ten-Year Plan provides an opportunity to reset priorities and goals, to reflect both progress to date and the evolving context that is framing the challenges.

The three priority areas in the current Plan are imprecise and very general:

1. Ensuring everyone has a home;
2. Ensuring people get the support they need; and
3. Working together

Some targets were attached to these priorities, but erred on the side of limited expected resources. The targets, where established tended to be only short term, not overly ambitious, and did not fully reflect the quantum of the issues that the plan sought to address. Only one, under priority 2, expressed more substantial vision to reduce emergency shelter funding by 40% and redeploy these “savings into prevention. But no discernable progress has yet been made on this target.

With the new context as articulated above, and a new National Housing Strategy (NHS) both establishing far more ambitious goals, and providing new funding sources, it is appropriate to establish and quantify targets for the remainder of the plan. Ideally these should reflect the pressing issues outlined above: strive to achieve tangible and substantial progress in reducing housing affordability need, reduce chronic homelessness (including the growth in family homelessness) and stimulate more purpose built rental supply.

However simply establishing new, more ambitious targets is alone not sufficient. Progress toward achieving targets can be achieved only by implementing a pro-active and aggressive action plan.

3.1. Identifying new targets

The NHS established two key priorities: reduce renter housing need by 50%; and reduce chronic homelessness by 50%, both by the end of 2028.

With significant new funding under the NHS and likely to be available to the City, as the local Service Manager, it might be appropriate for the city to emulate these national targets, perhaps alongside others.

The Federal government was careful not to specify reducing *core housing need*, and instead adopted a more general target to reduce the severity of need. This means that households would not necessarily have their shelter costs reduced below 30% of income, but would achieve substantial reduction in their shelter cost burden, reducing this close to 30%.⁶

⁶ For example the provincial Portable Housing Benefit calculates assistance at 80% AMR less 30% income. So a household paying more than 80% would receive substantial assistance, but would not fall below 30%, and thus remains in core need.

For reference, in Ottawa in 2016 there were just under 36,000 renter households in core need, and 32,000 of these faced an affordability issue. Adopting the national goal of a 50% reduction would mean reducing shelter cost burdens for 18,000 renter households.

However, because core need is not measured on an annual basis, it not a metric that can be readily monitored annually. A possible metric to assess progress in Ottawa may be a tangible reduction in the waiting list for social housing.

While fluctuating between 9,500-10,500 over the past decade, if Ottawa were to support the NHS goal, it would be necessary to substantially reduce the waiting list (or at least current number of households on the list) by 50% by 2024. While data have not been released, unofficial data suggest the list may now exceed 12,000. And new regulations on access will also affect the scale of the wait list. So the list quantum is a moving target.

Rather than establish a target as a percentage reduction (which would then move up if the list grows), it is better to establish as a firm number. Using the average of the past five years of approximately 10,000 this suggests an absolute target to reduce the waiting list to no more than 5,000 by 2024.

Another option might be to adopt a new service level standard. The current standard is embedded in the Housing Services Act Regulations, based on the number of RGI assisted units in 2001 (and is roughly 22,000). Voluntarily raising this standard, as a local goal is another way to track progress – for example increase the number of households assisted by 1,000 per year (to 27,000 by 2024).

The second significant issue identified, and aligning with the federal goal, is to significantly reduce chronic homelessness.

In Ottawa, the number of chronic homeless singles has fluctuated around 450 for the last five years, falling marginally to 422 in 2017, due to Housing First placements. Meanwhile episodic single homeless has averaged around 80. Combining the total of episodic and chronic establishes a universe of roughly 500.

Reducing this by 50 per year is a realistic and achievable goal, and would result in a 50% reduction in five years. Indeed, with a concerted effort and strategic use of Housing First and investments in purpose built supportive housing it could be possible to reduce chronic homelessness by 100% (i.e. house all 500).

Some caution is also required in establishing a target and the associated definition of homeless. Some very hard to house high acuity will require ongoing higher intensity support and may still ebb and flow in and out of system. So the definition of what is counted in the baseline homeless count is important when seeking to monitor progress (i.e. consider removing those in transitional and supported housing from count, or account separately).

For chronic homeless individuals, especially those with high acuity, a more deliberate Housing First is required (appropriate housing and Assertive Community Treatment support team). And for many, especially those challenged by social isolation and loneliness, permanent supportive housing (with onsite supports) may be more appropriate than scattered allocation in private

market units. So creating (or acquiring properties suitable for) permanent supportive housing should be a priority under supply initiatives) if the goal of reducing chronic homelessness is to be effectively implemented. Securing necessary funding to provide these higher levels of supports is also critical – and should embrace some reallocation of funding resources from shelters to follow these clients as they are housed (could still flow through and be administered by shelters, but offsite).

Another segment of the chronic count is families, a number that has risen alarmingly from an average of 85 families for 2013-16 up to 236 families (which involves 894 persons) in 2017. Eliminating long shelter stays for families should be a priority (chronic family homelessness means they have been in a shelter, or off-site motel for 180 days or more).

Further, the high incidence of newcomers among family emergency shelter uses suggests that a targeted newcomer settlement program, similar to the privately sponsored refugee program could be effective. Potentially this could be supported in part by repurposing emergency shelter per diems, and with new funding being provided by the federal government to compensate for the fiscal impact on City resources. For most newcomer families private sponsorship and community support to transition into the Canadian labour market likely mean families would only require transitional support for 1-3 years.

Alongside reducing or eliminating chronic homelessness, efforts are required to expand homeless prevention, and to reduce the flow into homelessness. Individuals and families will continue to experience emergencies and require emergency sheltering, but should not remain in emergency shelters beyond 30 days. Prevention strategies can help to manage the underlying cause of housing instability (e.g. lack of, or loss of income, arrears/eviction, family violence and estrangement) with emphasis on remediating the cause or providing rapid rehousing.

Moving beyond the two NHS goals, the background review has also noted a low volume of new rental construction and constrained access into ownership, which is placing pressure on the rental part of the housing system, and exacerbating affordability issues for lower income renters.

Accordingly, it may be appropriate to establish a target of a minimum number of new rental starts. Given that 32% of households are renters, this would require that one third of all new construction (5,500-6,000 homes annually) be designated for rental use. That may be an overly ambitious goal, but with recent purpose built rental starts now up to 15% of all new housing, it may be appropriate to nudge this up to 20% of all starts.⁷

Some portion of new rental supply can be facilitated using City as well as surplus federal lands, inclusionary policies and Action Ottawa capital support.

⁷ It should also be recognized that while most multiple unit new construction is in the form of condominiums, a significant proportion (25%-30%) are purchased by investors and indirectly become rentals so this augments purpose built starts.

3.2. Consolidating proposed targets

The preceding discussion has identified two overarching goals (as per the HNS) augmented by four additional potential targets for the reset of the Ten Year Plan:

1. Reduce the number of households on the centralized social housing waiting to no more than 5,000 households by 2024.
2. Fully eliminate chronic homelessness for both singles and families (100% reduction)
3. Reduce the future growth of homelessness via prevention and diversion
4. Slow or offset the process of erosion of affordable rental stock
5. Increase the volume of new rental construction to represent 20% of all new housing starts.
6. Strengthen the capacity of the community sector

4. Supporting actions

Establishing new more ambitious targets creates a vision and commitment to better outcomes.

But setting targets is only a first step. Each must be supported by a set of concrete actions to ensure progress toward achieving each target by 2024.

A set of potential actions to support each target is suggested below. For each, a more detailed action plan will need to be developed and implemented. These proposals can be refined and additional opportunities and actions further explored, via the ongoing consultation process being undertaken by city staff.

Target 1: Reducing The Social Housing Wait list by 50% to 5,000 households

Efforts to date have focused primarily on addressing the waiting list by adding new affordable units or by filling vacancies in the existing social housing stock. This has been complemented by the use of rent supplements and housing allowances, but that element will require expansion.

While the lack of (and ongoing erosion) of low rent options creates a challenge in finding affordable housing to place households on the waiting list, attacking the list via new affordable development has proven to be very limiting. Available capital funding, both past and anticipated, means that it is unrealistic to build our way to a wait list reduction. In addition, it is highly likely that the majority of those on the waiting list face mainly an affordability issue and are already suitably housed. Addressing their income shortfall, to lower the percentage allocated to rent via a housing allowance can be an effective way to assist those that already occupy suitable and adequate housing, but simply pay too much relative to income.

So any significant progress in placing households from the list will require some expansion of rent supplements or housing allowances.

Action 1.1: Expand rental assistance

Secure funding (via Canada-Ontario Priority Funding Program and proposed COHB) to expand number of rent supplements/housing allowances by 1000 per year (n.b. COHB proposed for implementation in 2020).

Action 1.2: Enhance client income

Explore opportunities to work with community employment support agencies to deliver labour market skills training to improve capacity for existing social housing tenants to increase incomes and resulting RGI rents, and ultimately transition out of social housing, and free up existing subsidized units for others (See for example the San Diego Achievement Academy).

Action 1.3 Add affordable supply

Alongside target #4 below (increase new rental supply), seek to expand the new supply of both affordable and moderate rent housing through mixed income/rent development, drawing on full array of NHS financing and funding mechanisms. In addition to new supply, expand the access to existing stock of moderate rent properties by facilitating non-profit acquisition of existing small moderate rent properties and/or rooming houses (see target #4 below).

Stretch capital funding further by establishing affordable rents at no less than 80% AMR, and using rent supplements and allowances to target lower income households unable to afford 80% AMR

Action 1.4 Facilitate intensification and redevelopment of under utilized existing social housing sites.

NHS funding under the COCHI specifically targets existing social housing and provides assistance both to sustain RGI rents and to support rehabilitation and renewal. Additional NHS sources, such as RCFI can augment this. Where need provide technical assistance to small providers lacking capacity and expertise.

Target 2: Eliminate chronic homelessness for both singles and families

Ending homelessness means that there will be an effective system in place such that absence of housing in the future will be short-term and rare and people will no longer experience chronic homelessness or repeated episodes of homelessness.

This means both reducing existing chronic homelessness, slowing new entry into homelessness and reducing duration in homelessness. This target seeks to place 100 chronic homeless singles each year via Housing First; and immediately housing the 236 chronic homeless families. It should be augmented by implementing a rapid rehousing initiative to prevent future emergencies evolving into chronic homelessness.

For chronic homeless individuals, especially those with high acuity, a more deliberate Housing First is required (appropriate housing and Assertive Community Treatment support team) it may

be more appropriate to explore and rationalize existing capacity and to reconfigure space in existing shelters as permanent supported housing (since many of intensive supports are located there) – as has been done in other jurisdictions (Montreal Old brewery Mission, Vancouver Portland Housing Society).

Action 2.1: Implement rapid housing response for families

This may require negotiating flexibility with the Ministry on repurposing of shelter per diems. Promised reimbursement from the federal government related to the cost of sheltering refugees is an alternate source of funding to implement such a program and could be used to immediately house the 236 families (894 individuals) identified as chronic homeless families.

The cost of per diem funding to accommodate families in motels/hotels has been highlighted as an expensive and inefficient response. These households, many of which may be newcomers, require a transitional period to improve language skills and secure employment. Repurposing emergency shelter per diems to fund housing allowances will enable household to rent more permanent accommodation.

Action 2.2: Explore adapting Refuge613 to help address growth of chronic homelessness among newcomer families (and potentially all homeless families)

The experience with community sponsored refugee settlement is a proven success. A similar effort could be used to address the spiraling number of newcomer families in the emergency system. Other transitional supports via immigrant settlement and employment support agencies will be required to assist in gaining employment income and thereby housing stability. For most newcomers and other families in crisis, this will represent temporary assistance from which most will gradually transitional within 1 to 3 years as they settle and integrate into the labour market. To support the sponsoring families, groups should also be assigned a social caseworker.

Action 2.3: Extend Housing First responses for singles

The Housing First program was implemented in 2015 and had placed over 570 individuals (2017 data). Although to date this has not necessarily captured chronic users, an assessment of experience to date and renewed emphasis on chronicity (rather than simply acuity) can enable targeting 100 chronic users each year. A key element is securing availability of affordable housing options (as per target 1 and 4).

Action 2.4: Add to stock of supportive housing

Given a very constrained choice of affordable housing options, it may be appropriate to utilize capital funding programs to add supply of purpose built supported housing, to facilitate placement. This can include both temporary modular units, as being delivered in

Vancouver⁸ as well as acquisition of existing small apartment buildings and rooming houses (with appropriate rehabilitation and necessary supports and programming).

While a dispersed strategy drawing on social or private landlord accommodation remains possible, turnover in existing social housing limits access and the number of private units with rents at levels affordable to OW/ODSP clients is very limited (mainly in the form of rooming house accommodation. For many assessed with high acuity need, there may be economies of scale in creating new supportive housing (e.g. 20-30 unit development).

Just as income mix is identified as desirable in social housing, an acuity blend may also be appropriate in supportive housing to avoid excessive concentration of high need clients in single properties (lessons from Calgary). In this regard, CAHDCO has recently completed a feasibility study for Somerset West Community Health Centre, on building micro suites targeting low-income singles/former homeless. In addition to building stand-alone projects of 20-30 units, there is also an option to integrate 20-30 units into larger affordable housing developments (nb San Francisco policy of Housing First inclusion in all affordable developments). This does however require consideration of the expertise and capacity of the provider – or establishing appropriate partnerships.

Action 2.5 Convert existing emergency shelter space to permanent supportive housing

While a Housing First model can be effective for many, a small number of long term chronic homeless, sometimes characterized as hard to house have less success in decentralized Housing First programs. To manage this population the option of converting specific space or floors of existing shelter into permanent supported housing should be investigated (with addition of ACT and ICM teams when appropriate).

It may also be helpful to rebrand and reposition the facilities currently identified as shelters as community resource hubs. All large shelters already deliver a wide range of programming, including assistance to exit homelessness, far beyond the traditional sheltering mission.

Action 2.6 Initiate a process of homeless serving coordinated planning

The original 2014 Ten Year Plan identified a priority to implement coordinated system planning and system integration to strengthen outcomes. While there has been some restructuring, mainly around implementing Housing First, a formal coordinated system plan has not yet been developed.

The homeless servicing system involves a large number of providers and support service agencies (over 140), with funding flowing both via the City (as Service Manager and Federal homeless Community Entity) and via the Ministry of Health and Long Term Care. With such a large array of providers and support agencies and multiple conduits for funding (and individual funding programs often with narrow inflexible criteria on use of funds) there is inevitable duplication and overlap. To improve coordination and effectiveness in achieving

⁸ <https://vancouver.ca/people-programs/temporary-modular-housing.aspx> Note the manufacturer of these modular homes has recently expanded to produce these in Gueph, Ontario.

outcomes, it is necessary to map the existing array of services and programs. And based on mapping, a coordinated system plan should be developed, to optimize use and impact of spending and investment. Such a process should be community led, but supported by the City.

As part of this process it may be useful to review the way housing and homeless services are organized and delivered within the city. Is it appropriate and effective for the City to be both a regulator and service delivery entity? The current budget identifies a staffing level of 64 FTEs in the Housing Branch and a further 4 in Planning Services. This is a significant level of staff resourcing, and budget. How are these staffing resources allocated and could restructuring help to improve outcomes of the array of funded programs?

Target 3: Reduce the growth of homelessness via prevention and diversion

While pursuing an end to chronic homelessness, a parallel set of actions can also seek to minimize the number of individuals and families entering into homelessness. Due to a diverse, often personal pathway into emergency need it is difficult to anticipate new entrants, so the typical first point of contact is the emergency system.

Coordinated Entry is a key component of a response system, including a clear set of entry points, a standardized method to assess and prioritize people needing assistance, and a streamlined process for rapidly connecting people to a housing solution – a solution that may include prevention or diversion from a shelter.

For as many as 80% of the new homeless entrants, the primary cause is related to economic circumstances – loss of or lack of income, and knock on effects including arrears and eviction. Various interventions such as tenant-landlord interventions, rent bank and temporary housing allowances should be explored. For other newly homeless the trigger relates to children aging out of care and correctional service discharge.

Action 3.1 Review and adopt prevention and diversion programming

Other jurisdictions such as Kingston, Waterloo and Hamilton have implemented strong prevention strategies – so potential insights there to assist in designing and implementing appropriate actions.

Target 4: Slow or offset the process of erosion of affordable rental stock

As noted the reduction in the number of lower rent units (including loss of rooming house stock) exacerbates housing affordability and constrains approaches like Housing First. It also undermines the impact of new supply. It is important to determine ways to reduce this process and impact.

Action 4.1 Develop a rental replacement policy

Other jurisdictions (e.g. Toronto, Vancouver) have adopted policies that prohibit redevelopment of existing rental without replacing the existing unit count, configuration and current rent level as part of the redevelopment. While this may still result in temporary

displacement while redevelopment occurs it does ensure that there is no net loss of affordable units and that new replacement units are at similar affordable rents. The City should explore and develop a bylaw to emulate these practices.

Action 4.2 Create an acquisition assistance fund

The process of investors, and especially institutional investors (pension funds, life insurance companies) purchasing existing assets is not new. However, in recent years it has expanded with the creation of Real Estate Investment Trusts (REITs). Smart (institutional) money doesn't build new – they purchase existing assets, with established and proven cash flows. This avoids the additional risk associated with new construction and also generates immediate cash flow returns. Until the last few years, in which cap rates have significantly tightened, this also accessed assets at 60-70% of the cost to build new.

Meanwhile the community non-profit sector has usually sought to build new, unfortunately at higher costs, and to do so has required substantial subsidy. Another option is to replicate the behavior of these “smart” private investors and similar acquire existing properties (a practice that has historically been effectively used by CCOC).

The argument is that acquisition does not add to supply. But the earlier data shows that that is a fallacious argument – the new construction is negated by the erosion issue. The value of non-profit ownership is that assets are preserved outside of market pressures and can retain more affordable rents (or if property underused, redevelop with a mixed income-rent model). In the case of rooming house stock – this is often in poor repair and tenants are often formerly homeless persons that would benefit from some support services. Operated under non-profit management it may be possible to improve quality and level of service.

Only in Quebec, has the public and community sector aggressively pursued an acquisition strategy. An acquisition and preservation strategy can assist in growing the portion of total stock that is in the non-market (non-profit) affordable arena, and in reducing the erosion impact, which is more significant than incremental new supply.

A critical challenge is that current funding programs don't facilitate acquisition, and potential non-profit buyers typically don't have the necessary funds and existing programs don't approve applications on a timely basis, by which time assets have been privately purchased (and will likely see rents increase or the property demolished).

Establishing a revolving loan fund specifically to facilitate acquisition would enable non-profits to play in this space. The fund would be reimbursed, once long-term permanent financing secured. In order to create this mechanism a process is required, ideally with an established fund manager and aggregator like the Ottawa Community Foundation, potentially seeking capitalization from one of the new CMHC funding sources under the NHS.

4.3 Create a land trust for public lands

The city has identified a number of surplus properties that it plans to make available for affordable development. Potentially this can be expanded via additional federal (and perhaps Provincial properties).

In order to establish permanent affordability as well as enable mixed income development the City should examine the potential to assist the community sector in establishing a land trust to hold these assets. And potentially, existing community housing assets could also be transferred into the Trust to similarly strengthen the collective asset base and to facilitate leverage for renewal and expansion.

This approach has been successfully used in other jurisdictions, most notably in Vancouver. In addition to preserving affordability the collective trust model creates a strong asset base and balance sheet to facilitate asset leverage and financing to support new development as well as revitalization of aging assets. It can be especially beneficial to small providers that lack the scale and capacity to undertake asset leverage. This could also be a vehicle to hold existing city lands leased to existing co-ops and similarly support their rehabilitation.

Target 5: Increase rental supply (to 20% new starts)

An insufficient stock of lower rent units suggests that building with low affordable rents would be desirable. Unfortunately it is not financially viable to build affordable housing, except with large subsidies – either capital subsidy to reduce the amount of debt the project must carry, or through operating subsidy to compensate for low rents in order to cover operating and increase ability to pay debt service cost.

To achieve modest rents at 80% to 100% of the market average (\$960-\$1,200 for a blended mix of 1 and 2-bed units) would require capital subsidy in the range of \$140K-200K.

While some modest-affordable development is possible using available land contributions and capital subsidy, the number of units that can be built with the available capital subsidy budgets is very limited – potentially 100 units for each \$10 million of capital subsidy. This might generate units renting in the range of \$960-1200, so additional rent assistance (housing allowance or rent supplements) would be required to make units affordable to those with incomes below \$20,000 (can afford only \$500)

If targeting low income singles (e.g. Housing First population), there may be an option to build smaller “micro-suites”, as a way to lower construction costs, but rental assistance of \$200-\$300 per month would still be required.

Such “affordable” new supply options can be part of the overall strategy, but to significantly increase volume of purpose built rental requires rents that are more market based, in order to generate a rate of return to incent developers to build rentals.

As noted earlier, supply at any rent can help to moderate tight vacancies and to alleviate pressure on existing rents. It is this market (or close to market) level that is the focus on this target. Ideally incentives can be used to encourage rents at more modest levels (120%-140% of average), rather

than 160%-170%, which is the level that most new recent rental units have come onto the market.

Action 5.1: Incent new rental

In order to encourage private developers to build at moderate rents, the current federal Rental Construction Financing Initiative (RCFI) is an effective program providing favourable financing terms and conditions. The City can partner with developers to encourage them to build rental (vs. condo) using this program, and potentially adding incentives such as waiving development fees/charges if built as permanent rental and with inclusion of 20% of units at affordable rents (80% AMR). Or it may be possible to incent a portion of units to be built as permanent rental units (a practice used in Montreal's inclusionary policy).

Action 5.2 Condominium purchase as rentals

To the extent that most new multiple unit development is in the form of condominiums (not rental), implementing an inclusionary policy can be a challenge. One option, currently being used in Halton and York Regions is to purchase a number of units in a new condo development to be owned and managed as non-profit rentals (Initially purchase by City and sold on to a non-profit owner operator).

When in conjunction with an inclusionary requirement, it may be possible to acquire units at a discount to market value (as is done in Halton). For a developer who is required to achieve a minimum threshold of pre-sales before securing construction financing, bulk purchase can enable an earlier start and lower interim carry cost for the developer, so is an incentive. A similar practice is used in Montreal, although this involves a single strata title for the block of rental units as a separate part of building to insulate these from condo fees and special levies.

Action 5.3: Implement Inclusionary zoning

This is a planning policy that requires developers to include a prescribed percentage of units at affordable rents/prices, in exchange for a benefit, usually increased density (so developer generates larger market profit by building more units. It can also involve an offset to cover the net cost of the affordable units). It is also possible to combine with the RCFI (which already has a 20% affordable requirement).

Action 5.4 Capitalize on land value uplift at LRT stations

A significant opportunity exists to capitalize on the large-scale investment in the LRT: the combination of the LRT investment and City planning policy to encourage and enable intensification. The combination will significantly enhance property values—but the critical public-policy question is, to whose benefit?

Currently the benefit of increased land values, derived from the two sets of public decisions fall entirely to existing landowners. Seeking to capitalize on this uplift, developers will seek to purchase and land bank these sites. In the same way than the city planning process

enhances value it can also extract value – by imposing conditions on approving new higher density.

If the City pre-zones LRT sites with a condition that 20% of floor area or units are created with prescribed affordable rents/prices, this cost of development will be capitalized in the value of the land – potential developer buyers will pay less for the land as they will know they have to absorb cost to provide the affordable units. To achieve inclusion in an around LRT stations such advance signaling of rezoning development conditions is critical.

Target 6: Strengthen the capacity of the community sector

This is not so much a target as a supporting set of actions. However it speaks to the need to pursue a broad coordinating strategy across the array of social-affordable housing providers in much the same way that system coordination and coordinated service delivery is highlighted in the homeless serving part of the system.

The existing universe of housing providers is dominated by two organizations – OCH and CCOC, and a much more numerous group of very small providers, including independent private non-profits, cooperatives and supportive providers. Across the sector these providers collectively own many properties, many of which were constructed at historic densities and are now located in areas pursuing intensification. Many of the properties are aging and in need of renewal and modernization. But as small organizations few have the capacity or expertise to effectively lever the property assets or manage asset renewal.

While some new funding sources have been identified, these can be stretched further by drawing on the existing real estate assets of the sector. To do so requires strong collaboration, and potentially even some formal consolidation and mergers.

Action: 6.1 undertake a strategic assessment of existing assets and opportunities to optimize leverage through sound asset management practice

Over the next year of the plan, the sector organizations (through the network) should undertake an asset audit – what resources exist (human capital and property assets). How might the sector draw on these assets to enhance the potential outcome of the 10 Year Plan? What might this mean for sector consolidation or restructuring toward becoming a more sustainable sector.

5. Conclusions

This brief has been prepared to provide input and suggestions to the City of Ottawa as it undertakes an update of the Ten Year Housing and Homeless Plan. It first reviews the current context including identifying potential new funding opportunities under the National Housing Strategy (NHS). It subsequently presents an update on the extent and nature of both housing need and homelessness.

Based on the updated context, a revised set of targets is proposed. It is noted, however, that simply establishing revised, and more ambitious targets is alone insufficient. Concrete action plans are required to pursue and achieve these targets.

These are simply proposed targets and proposed actions. As the City works through a consultation process, these can be reviewed, validated refined and expanded.